



May 17, 2011

TO: Yvette Roubideaux, M.D., M.P.H.
Director
Indian Health Service

FROM: /Daniel R. Levinson/
Inspector General

SUBJECT: Audit of the Indian Health Service's Internal Controls Over Monitoring of Recipients' Compliance With Requirements of the American Indians Into Psychology Program (A-09-10-01007)

The attached final report provides the results of our review of the Indian Health Service's internal controls over monitoring of recipients' compliance with certain requirements of the American Indians Into Psychology Program.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. We look forward to receiving your final management decision within 6 months. Please refer to report number A-09-10-01007 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF THE INDIAN HEALTH
SERVICE'S INTERNAL CONTROLS OVER
MONITORING OF RECIPIENTS'
COMPLIANCE WITH REQUIREMENTS OF
THE AMERICAN INDIANS INTO
PSYCHOLOGY PROGRAM**



Daniel R. Levinson
Inspector General

May 2011
A-09-10-01007

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

The Indian Health Service (IHS), an agency in the U.S. Department of Health & Human Services (HHS), delivers clinical and preventive health services to American Indians and Alaska Natives. IHS provides care in more than 700 health care facilities, including hospitals and outpatient clinics. An IHS facility can be operated by IHS, an Indian tribe, or a tribal organization.

Section 217 of the Indian Health Care Improvement Act (IHCIA) of 1976 (P.L. No. 94-437), as amended, requires IHS to administer the American Indians Into Psychology Program (Psychology Program). Under the Psychology Program, IHS provides grants to colleges and universities to develop and maintain psychology career recruitment programs to encourage American Indians to enter the mental health field. According to information that IHS provided to us, IHS awarded to three universities Psychology Program grants totaling approximately \$6.5 million for the 11-year period ended July 31, 2008. Pursuant to section 217(c)(2)(D) of the IHCIA, educational institutions are required to, among other things, provide scholarships to undergraduate and graduate students to pursue careers in psychology.

Each graduate student who receives a scholarship under the Psychology Program (recipient) must sign an Indian Health Service Psychology Scholarship Program Contract (the contract) with the college or university and IHS in which he or she agrees to, among other things, maintain full-time or part-time enrollment until completion of the approved education program and fulfill a minimum service obligation. Pursuant to section 217(d) of the IHCIA, the recipient must complete an active duty service obligation. Specifically, the contract requires the recipient to fulfill the service obligation by working 1 year for every year of scholarship support received and to work no less than 2 years. A recipient who fails to meet the education requirements must repay the Federal Government all funds paid under the contract. A recipient who fails to begin or complete the service obligation must repay the Federal Government an amount calculated according to a formula described in section D of the contract.

The Federal Managers' Financial Integrity Act of 1982 (P.L. No. 97-255) requires each executive agency to develop internal controls in accordance with standards prescribed by the Comptroller General and to provide reasonable assurance that funds are safeguarded against waste, unauthorized use, or misappropriation. The Office of Management and Budget Circular A-123 states that Federal agency management is responsible for establishing and maintaining internal control activities to meet the objectives of effective and efficient operations and compliance with applicable laws and regulations. In addition, the *HHS Grants Policy Statement*, part I, requires HHS agencies to maintain stewardship over Federal funds they award.

OBJECTIVE

Our objective was to determine whether IHS had adequate internal controls to monitor recipients' compliance with certain requirements of Psychology Program scholarships.

SUMMARY OF FINDING

IHS did not have adequate internal controls to monitor recipients' compliance with certain requirements of Psychology Program scholarships. Specifically, IHS did not have policies and procedures to monitor whether recipients had completed their approved education programs or were fulfilling required service obligations. As a result, IHS could not ensure that all recipients were in compliance with Psychology Program scholarship requirements.

RECOMMENDATION

We recommend that IHS develop and implement policies and procedures for monitoring recipients' fulfillment of education requirements and service obligations for Psychology Program scholarships.

INDIAN HEALTH SERVICE COMMENTS

IHS concurred with our recommendation and described actions that it had taken or planned to take to address the recommendation. IHS's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Indian Health Service

The Indian Health Service (IHS), an agency in the U.S. Department of Health & Human Services (HHS), delivers clinical and preventive health services to American Indians and Alaska Natives. IHS provides care in more than 700 health care facilities, including hospitals and outpatient clinics. An IHS facility can be operated by IHS, an Indian tribe, or a tribal organization.

The Indian Health Care Improvement Act (IHCIA) of 1976 (P.L. No. 94-437), as amended, authorizes IHS funding to administer programs to attract and recruit qualified individuals into health professions needed at IHS facilities. These programs are intended to encourage American Indians and Alaska Natives to enter health professions and to ensure the availability of Indian health professionals to serve Indians.

American Indians Into Psychology Program

Section 217 of the IHCIA,¹ as amended, requires IHS to administer the American Indians Into Psychology Program (Psychology Program).² Under the Psychology Program, IHS provides grants to colleges and universities to develop and maintain psychology career recruitment programs to encourage American Indians to enter the mental health field. According to information that IHS provided to us, IHS awarded to three universities Psychology Program grants totaling approximately \$6.5 million for the 11-year period ended July 31, 2008.

Pursuant to section 217(c)(2)(D) of the IHCIA, educational institutions are required to, among other things, provide scholarships to undergraduate and graduate students to pursue careers in psychology. Section 217(d) requires that each graduate student who receives a scholarship under the Psychology Program (recipient) complete an active duty service obligation.

According to the terms and conditions of the Psychology Program grant award, scholarships are for a 1-year period. Additional scholarship support may be awarded to each eligible student for up to a maximum of 4 years. Educational institutions are responsible for monitoring recipients' academic progress and providing IHS with, among other things, recipients' official transcripts at the end of each academic period and reports identifying recipients with academic problems or changes in academic status.

¹ The legal citations in this report are to section 217 as it was enacted before the passage of the Patient Protection and Affordable Care Act, P.L. No. 111-148.

² The Indian Health Care Amendments of 1992 (P.L. No. 102-573) added the Psychology Program under section 217 of the IHCIA.

American Indians Into Psychology Program Scholarship Requirements for Recipients

Each recipient must sign an Indian Health Service Psychology Scholarship Program Contract (the contract) with the college or university and IHS. Section C of the contract requires the recipient to, among other things, maintain full-time or part-time enrollment until completion of the approved education program for which the scholarship award is provided and fulfill a minimum service obligation.

The contract requires the recipient to fulfill the service obligation by working 1 year for every year of scholarship support received and to work no less than 2 years. Pursuant to section 217(d) of the IHCA, the service obligation may be fulfilled in IHS, in a program conducted under a contract entered into under the Indian Self-Determination Act, in a program assisted under Title V of this Act, or in the private practice of psychology if such practice is situated in a physician or other health professional shortage area and addresses the health care needs of a substantial number of Indians.

Pursuant to section D of the contract, a recipient who fails to maintain an acceptable level of academic standing in the course of study, voluntarily withdraws from the educational institution before graduating from the program, or is dismissed from the educational institution for disciplinary reasons must repay the Federal Government all funds paid under the contract. A recipient who fails to begin or complete the period of obligated service must repay the Federal Government an amount equal to three times the funds received, plus interest, reduced by the percentage of the service obligation that was fulfilled.

However, pursuant to section F of the contract, any service or payment obligation is canceled upon the recipient's death. In addition, IHS may waive or suspend any service or payment obligation when compliance by the recipient with the contract becomes impossible or involves extreme hardship and enforcement of the obligation would be unconscionable.

Federal Requirements for Internal Controls

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 (P.L. No. 97-255) requires each executive agency to develop internal controls in accordance with standards prescribed by the Comptroller General and to provide reasonable assurance that funds are safeguarded against waste, unauthorized use, or misappropriation. The Office of Management and Budget (OMB) Circular A-123 provides guidance on implementation of the FMFIA and further defines management's responsibility for internal controls in Federal agencies.

Office of Inspector General Reviews

This report covers IHS's internal controls for monitoring recipients' compliance with education and service obligation requirements of Psychology Program scholarships. Separate reports address IHS's internal controls for monitoring the requirements of IHS's Health Professions Scholarship program (A-09-09-00044), Loan Repayment Program (A-09-10-01005), and Nursing Program (A-09-10-01006).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether IHS had adequate internal controls to monitor recipients' compliance with certain requirements of Psychology Program scholarships.

Scope

We reviewed IHS's internal controls over its monitoring of recipients' compliance with certain requirements of Psychology Program scholarships. We limited our review of internal controls to those controls for monitoring recipients' fulfillment of education requirements and service obligations.

We limited our review to the documentation that IHS maintained for the 29 scholarship recipients that IHS identified as funded for the 11-year period ended July 31, 2008, and to discussions with IHS officials. We did not review activities funded under Psychology Program grants other than scholarships awarded to recipients.

We performed our fieldwork at IHS Headquarters in Rockville, Maryland.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- obtained an understanding of the Psychology Program and its education and service obligation requirements;
- reviewed IHS's paper and electronic documentation for the 29 scholarship recipients; and
- interviewed IHS officials to verify whether IHS monitored the 29 recipients' fulfillment of education requirements and service obligations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

IHS did not have adequate internal controls to monitor recipients' compliance with certain requirements of Psychology Program scholarships. Specifically, IHS did not have policies and procedures to monitor whether recipients had completed their approved education programs or

were fulfilling required service obligations. As a result, IHS could not ensure that all recipients were in compliance with Psychology Program scholarship requirements.

FEDERAL REQUIREMENTS

The FMFIA, section 2(d)(1)(A), states: "... [I]nternal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that ... (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation"

OMB Circular A-123, section II, states: "Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations ... and compliance with applicable laws and regulations." Section II also states: "Management is responsible for developing and maintaining internal control activities ... to meet the above objectives." Section III.A. states: "... [Management] should design management structures that help ensure accountability for results. As part of this process, agencies and individual Federal managers must take systematic and proactive measures to develop and implement appropriate, cost-effective internal control."

The *HHS Grants Policy Statement*, part I, requires HHS agencies to maintain stewardship over Federal funds they award. An agency is required to monitor its awards for potential problems, using available information, for as long as the agency has a financial interest in the project or activity as a result of program requirements.

MONITORING FULFILLMENT OF EDUCATION REQUIREMENTS AND SERVICE OBLIGATIONS

IHS did not have policies and procedures to monitor recipients' fulfillment of education requirements and service obligations for Psychology Program scholarships. IHS officials stated that they did not develop these policies and procedures because developing policies and procedures for the Health Professions Scholarship program and Loan Repayment Program was a higher priority. IHS officials stated that more scholarships were awarded under these two programs.

Although IHS did not have policies and procedures to monitor recipients' compliance with scholarship requirements, IHS officials stated that they attempted to monitor recipients' compliance with those requirements. In 2008, IHS assigned a new project officer to monitor the Psychology Program. The project officer stated that, before 2008, the scholarship program office did not have any records on recipients. To create a record for each recipient, IHS requested from the college or university the following information: recipient's name, years funded, scholarship contracts, and a transcript and/or a diploma. To complete the record, IHS requested by mail from the recipient at least one of the following documents: an official transcript, a copy of a diploma, verification of employment,³ a position description, or a license to practice clinical

³ Examples of employment verification documentation include a civil service personnel action form, personnel orders from the U.S. Public Health Service Commissioned Corps, or a letter of hire from a tribal organization.

psychology. However, IHS did not always follow up with the college or university or the recipient to ensure that IHS received the requested documentation.

Of the 29 recipients we reviewed, we identified 22 recipients who should have completed their education programs.⁴ This determination was based on reviewing IHS's documentation for the recipients. IHS did not verify that 12 of those recipients had completed their education programs. IHS's documentation related to the 12 recipients did not contain any evidence demonstrating that the recipients had fulfilled their education requirements, indicating that IHS staff had not monitored recipients' compliance with education requirements. The project officer confirmed that IHS had not verified recipients' completion of education programs. The project officer stated that he did not update recipients' status while they were still in school and added that he needed to update the files more frequently. For the remaining 10 recipients, IHS's documentation contained evidence demonstrating that the recipients had completed their education programs.

Further, of the 22 recipients who should have completed their education programs, we identified 6 recipients who should have begun their service obligations.⁵ This determination was based on reviewing IHS's documentation for the recipients. IHS did not verify that the six recipients were fulfilling their service obligations. IHS's documentation related to the six recipients did not contain any evidence demonstrating that the recipients were fulfilling their service obligations, indicating that IHS staff had not monitored recipients' compliance with the service obligation requirement. The project officer confirmed that IHS had not verified recipients' fulfillment of service obligations.

RECOMMENDATION

We recommend that IHS develop and implement policies and procedures for monitoring recipients' fulfillment of education requirements and service obligations for Psychology Program scholarships.

INDIAN HEALTH SERVICE COMMENTS

IHS concurred with our recommendation and described actions that it had taken or planned to take to address the recommendation. IHS's comments are included in their entirety as the Appendix.

⁴ The remaining seven recipients were in the process of completing their education programs or were no longer enrolled in the educational institutions.

⁵ The remaining 16 recipients consisted of 12 recipients who were in the process of completing licensing requirements, 2 who had defaulted on their service obligations, 1 who had the service obligation deferred to a later period, and 1 who had the service obligation waived.

APPENDIX

APPENDIX: INDIAN HEALTH SERVICE COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

APR 05 2011

Indian Health Service
Rockville, MD 20852

TO: Inspector General

FROM: Director

SUBJECT: Response to the Office of Inspector General "Audit of the Indian Health Service's Internal Controls over Monitoring of Recipients' Compliance With Requirements of the American Indians Into Psychology Program (A-09-10-01007)"

The purpose of this memorandum is to respond to your February 24 memorandum transmitting the Office of Inspector General (OIG) draft report providing the results of the OIG "Audit of the Indian Health Service's Internal Controls over Monitoring of Recipients' Compliance With Requirements of the American Indians Into Psychology Program (A-09-10-01007)." I appreciate the opportunity to address your recommendation.

OIG Recommendation:

(1) We recommend that IHS develop and implement policies and procedures for monitoring recipients' fulfillment of education requirements and service obligations for Psychology Program scholarships.

IHS Response:

We concur. In April 2010, the Indian Health Service (IHS) began an initiative to develop and implement more effective internal controls over recipients' compliance with requirements of American Indians into Psychology Program Scholarships. The initiative's objectives include processes to monitor and document recipients' fulfillment of education requirement, and their completion of required service obligations.

Specifically, IHS will monitor recipients' fulfillment of education requirements such as maintaining enrollment until completion of their education program while meeting the minimum level of academic standing. IHS will also monitor recipients' completion of required service obligations (recipients must fulfill a minimum service obligation of two years).

Plan to Strengthen Internal Controls:

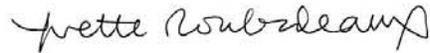
- The Agency completed an IHS American Indians into Psychology Program Policy and Procedures on February 24, 2010 and disseminated to all grantees and scholarship recipients.
- The Agency is currently revising its Psychology Student Handbook to address the technical details for monitoring recipient compliance with program policies and

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procedures and the timeline for the project officers function related to this monitoring process. This handbook is to be complete by December 2011.

- The Project Officer (PO) is now required to contact each scholarship recipient, semiannually, throughout all phases of their “active” scholarship cycle with their university. This communication will be documented in each recipients file and the master excel spreadsheet.
- The PO will have quarterly conference calls with each university grantee to address any problems or concerns they may have.

Thank you for the opportunity to respond to your February 24 memorandum. If you have any questions concerning this response, please contact CDR Michael D. Weahkee, Deputy Director for Personnel Functions, Office of Management Services, IHS, at (301) 443-6290.



Yvette Roubideaux, M.D., M.P.H.